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State Sen. Nancy Cassis (R-Commerce, Milford, Highland, White Lake, West Bloomfield, Orchard Lake, Wixom, Walled Lake, Wolverine Lake) finds herself in a leadership position as lawmakers and the governor's office negotiate on a new fiscal year budget for the state and debate changes in Michigan's tax credit system. Cassis, who worked in public education before entering the realm of politics, served as a Novi city councilwoman from 1985-93, and again from 1995-96. She then won a seat in the state House, where she served for six years and became the first woman to chair of the House Tax Policy Committee. In 2002, Cassis became a state senator. She currently serves as chairwoman of the Senate Finance Committee. Cassis and her husband, Victor, have seven children and 11 grandchildren.

SCN: Administration officials say unless the Michigan Economic Growth Authority (MEGA) is allowed to grant additional tax credits this year, it won't be able to use such credits to attract economic development until January. Tell us how you believe MEGA came to exhaust its allotted credits for the year. How can that scenario be avoided in the future?

NC: First and foremost, I support economic development and an economic program that is accountable, transparent, and responsible for taxpayer dollars; and most importantly, one that delivers real results. The current administration of the (Michigan Economic Development Corporation) and the (MEGA board) are permitted to provide refundable credits, which means that even after all of the tax liability of a company is gone, eliminated, they still are eligible for subsidized checks direct from our treasury. They are in charge of at least 400 years worth of credits annually. Most companies receive anywhere from seven years of refundable credits for jobs created or retained, to 20 years maximum. This year, for the first time in 13 years since I've been in the Legislature, the MEGA board and MEDC blew through 400 years worth of credits in seven months time. I think the MEDC and MEGA have become the administration's arm of economic development and a way to show that jobs are being created in Michigan.

What we are finding, however, is these jobs that they say by press release are created, tend to be inflated. The real number is much closer to a minimum number of jobs. This minimum number is never expressed (in press releases), only the maximum number. We have put forward transparency legislation for the first time to really seek greater disclosure and accountability of the activities of the MEDC and MEGA, to shine light on the decision-making and to be sure that we are getting the benefits for the taxpayer dollars that are being spent. We really, truly believe that this current administration has been using MEGA as a form of economic development by press release, and whether it conforms to any reality or not is questionable. So I have sponsored two bills, Senate Bills 70 and 71, which are transparency bills that will go a long way toward ensuring that there is legislative and public oversight of this major economic development program. My question was, why didn't they reserve some (of the annual MEGA tax credits) for the remainder of the year, in case a project that is extremely desirable comes forward, of large scope and major economic vitality for the state? You have no more credits. That's not a responsible approach. A lot of smaller companies may have been given credits and then utilized them all up very quickly. This becomes critical when we look at a new project that would rejuvenate and reuse the moth-balled Ford Wixom plant. Obviously, the MEDC has come to the Legislature, as they have to, to ask for increasing that 400 year (annual tax credit) limit, and I'm the key sponsor of allowing for an expansion — not necessarily the full 100 years that they've requested — but also insuring they will have accountability, transparency, and oversight. Also, we will place a cap ... in terms of dollars that can be spent in the economic development program, and there are two bills that await introduction (today, Wednesday, Aug. 26). They will be tie-barred to the MEGA credits. They will give a one-time opportunity for an expansion of the credit years in 2009. It's a reform measure, and there will be a cap in terms of the overall dollar amount they can increase spending each year.

SCN: While you've said you're open to authorizing additional MEGA credits this year, you have introduced legislation that would require the government to show more transparency in required report data involving credits. Tell us why you believe there's a need for more transparency and accountability in that system, and specifically what additional requirements you seek.

NC: This is now important at every level of government, that the public and those lawmakers making decisions have access to the kind of information — a kind of truth-in-advertising — necessary so we can do our due-diligence and ensure our decision-making is based on facts and reality. We are always mindful of how taxpayer dollars are being spent, that

they are being spent wisely, and prudently. We are responding to the public's right to disclosure.

SCN: There's been a lot of concern expressed about MEGA essentially running out of tax credits for the year, just as a proposed developer for the former Ford Wixom assembly plant has entered into talks on a plan involving creation of an alternative energy park. Tell us about the likelihood of enacting legislation that would allow MEGA to grant added tax credits if the latest Wixom plant proposal comes to fruition.

NC: There is legislation that is pending and will be taken up very shortly to allow an expansion of the MEGA credit years for this one year, and that would then certainly allow for the Wixom project to apply. Also, the Wixom project will have a component that deals with a whole new renewable energy and battery-type programs that may be separate from MEGA. The bills to accomplish the Wixom complex will be in the Commerce Committee, in Sen. Jason Allen's committee, not the finance committee. This project is exactly what Gov. (Jennifer) Granholm has touted for many, many months. She sees this type of project as the way of the future, especially for Michigan. It's green energy, it's renewable energy, and it uses a current plant and breathes new life into that incredible space that we know as the old Ford Wixom plant. This is important not only to Wixom and its economy, but to all of southeast Michigan and Michigan as a whole. The project itself could become a prototype for other moth-balled auto plants throughout the U.S. It really is that powerful of an example. So we'll have to see if everything comes together.

Importantly, the MEDC and MEGA have a vital job to do in ensuring that the private investment is there. That is a key step, a key ingredient to moving forward. They have to be sure that this is a viable project for moving forward with capital and investment behind it. That's not legislative, that's the duty of the MEDC and MEGA.

Because MEDC now is really out of credits, they need legislation to expand the number of credits; and of course, we sincerely believe, and I'm confident because of the nature of the thousands of job creation opportunities with this project, that the governor would look extremely favorably on it and would like to see it come to fruition. We need to get all these pieces together and get it to the governor and have her sign on, literally.

SCN: Shifting gears a bit, we have often wondered why businesses that receive a tax abatement through local governments aren't required to regularly report how many new jobs they've actually created as a result of receiving a tax abatement. Tell us why you would or won't support a move to require the reporting of such information. What, if any, additional reporting requirements should be enacted to revise the tax abatement system?

NC: This is a controversial issue. From the standpoint of the MEDC wanting to have some local participation when they consider granting a MEGA credit to a company, some communities don't have an abatement policy and don't necessarily feel they need to offer incentives for a company to locate in their community. Other communities have a fairly robust economic development program and they do offer abatements in order to lure companies in. I think that any community — and I'm a former Novi City Council member — needs to establish their abatement policies to include a reporting requirement. I think it should be local.

On the state level, my transparency legislation will absolutely require reporting the number of real, direct jobs created, not the ones they say in a press release. There is something called local control, and I'm an advocate for local control. It should reside with those communities that develop an abatement policy to develop their own standards and requirements in terms of reporting on jobs that (are created). They should make that transparent to their taxpayers to be sure they are getting the measurable outcomes they are expecting.

SCN: Reports of a stalemate in budget negotiations between the governor and legislative leaders have been reaching the public in recent weeks. Tell us why you do or don't believe the governor and legislative leaders will reach a compromise before the new fiscal year starts on Oct. 1, thereby averting a state government shutdown.

NC: My Senate Republican leadership, which includes our majority leader, Sen. Mike Bishop; Appropriations Committee Chair Sen. Ron Jelinik, Sen. (John) Pappageorge, and Sen. Mark Jansen, who are on the Appropriations Committee; and myself, as chair of the Senate Finance Committee, have been dealing with our own budget that will be balanced and has been submitted in negotiations, with the help of leadership, to the governor.

I can also tell you that we will move ahead with our plan regardless of what the governor does or doesn't do, or what the House does or doesn't do. We are responsible and accountable. Hopefully the discussions this week will go well, but otherwise, I'm confident that the Senate leadership, Republican leadership, will produce their plan, irrespective of whether

something doesn't get moving.

I don't think the governor or the House or Senate leadership want a shut down of government. I think we are able to try to do our very best to work together to provide for a balanced budget that doesn't raise taxes across the board. The plan that I am talking about, that Senate Republicans have, is a realistic attempt to gradually, in three year's time, get rid of this onerous surcharge on so many of our small businesses that are the backbone of Michigan's economy and employ upwards of 75 percent of all workers. We're going to hold the governor's feet to the fire. She promised two years ago, and we indeed are going to get this onerous surcharge off the backs of our businesses so they can invest, and they can keep and even create more jobs. This is essential to Michigan's economic future, and we're prepared to do that.

SCN: The budget talks reportedly have included discussions about tax increases that could bolster revenues and spare deep spending cuts in some programs. What's your take on some of those proposals, such as applying the 6 percent sales tax to entertainment and sporting event tickets, another increase in tobacco taxes, and higher taxes on beer and wine?

NC: As chair of the Senate Finance Committee, I advocate, and I always have, for spending restraint. What part of a core government function is sending checks to Hollywood producers of up to \$150 million in 2010 while we cut K-12 education, Medicaid, help to seniors on Medicaid, and freeze and even cut revenue sharing to our communities that depend on these dollars for police and fire services? Are Hollywood producers more important than a child's education, or Medicaid for seniors, or protecting fire or police in our communities? The Senate Fiscal Agency says that it's an outright spending of \$150 million next year, even after you look at any economic activity that these refundable film credits are bringing in. Other states are pulling back their film credits, and the governor actually has come around to what I've been saying all along. She is proposing a reduction of around \$7 million, but that is a token — it will not resonate. It has to be more.

There is other spending that can be responsibly managed, and not continually spent. With the earned-income tax credit, for example, we are giving 10 percent of what the federal government issued in terms of individuals who are eligible for the earned-income tax credit. But it would save \$150 million or \$160 million, or even more, if we just don't expand it even more next year. And in a time like this, all of these millions add up. Those are spending cuts, they're not tax increases like the governor proposes. You can't spend what you don't have, and we have a \$2.8 billion deficit in this state, between the schools and the general fund. And even though we do have some stimulus funds, we still are \$1 billion away from balancing the budget. We must do so, according to the Constitution.

Now, do you want to take more money from the consumers who go to a baseball game, a football game, or a concert? Why is the governor saying take away from the credit that was provided under the Michigan Business Tax and to Comerica Park? That all was stimulative to encourage individuals to have the opportunity to attend events like that. She wants take that away? This governor wants to tax people who go to an entertainment venue. That's a tax increase.

To go back and hit smokers again, to me, is immoral. You're picking winners and losers, and the losers are smokers. I think we have the second or third highest tax in the nation on cigarettes and smoking products. And then you want to hit every day people when they go to an entertainment venue? These are tax increases. The governor has pulled away from beer (tax increase) now. So no, I don't endorse her tax increases. She said she wouldn't, and she said she wouldn't raise fees, and I think we should hold her to her promise, although at times, it seems this governor is willing to break promises.

SCN: As opposed to hiking taxes, how do you feel about the notion of reducing or eliminating tax exemptions that aren't generating economic growth? How could that be tied to reducing the Michigan Business Tax surcharge?

NC: Patrick Anderson, a noted Lansing economist, has done a report on tax incentives. It's a preliminary report, but it's important from the standpoint that it's objective, it's outside of Lansing politics, and he has found that certain tax incentives do bring about important outcomes. In other words, taxpayers are getting a bang for their buck. Industrial tax credits, for example, seem to be effective. Of low effectiveness, he rated the refundable film tax credits, so yes, I do think we should go through and hold accountable tax expenditures that do not live up to expectations. I'm one of the leaders in advocating and working for that, and there are others in the Senate, and the House, as well. Now, that is to be differentiated from tax loopholes. I don't like the word loopholes. These are changes in the tax code that were provided in terms of a tax break because it would make the situation fairer, more equitable, or because it was designed to spur the creation of jobs or economic development. To then remove those "tax loopholes" would mean a substantial tax increase. I'm opposed to increasing taxes in this economic depression in Michigan. I think it's counter-productive.

For example, items you purchase in a vending machine are now tax-exempt. The rationale behind that was you can go into any 7-Eleven and purchase the same product for immediate consumption and have it tax-exempt. To make it more equitable, because the same behavior is occurring, the sales tax exemption was granted to vending machines. This is an example of one of the areas the governor would like to remove. That would mean a tax increase to all the vendors and distributors in this state. And if that were to occur, all of us know those costs are then passed on to the consumer — you and me. And now is not the time to be doing that. The time right now is to be looking at all the spending that is being done, and take a hard look at that, and provide savings on spending rather than increasing taxes in this very depressed economic environment.

We need a more fair, equitable tax policy in general. And we need to get rid of the surcharge on our businesses that is a killer. And we are working, along with a balanced budget, to phase out the surcharge. That will send a very clear message to the businesses that are already here, and who don't get any of the refundable credits or get any breaks on their taxes, that have been good long-term taxpayers, that they have not been forgotten.